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ARIZONA CORPORATION COMMISSION

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Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Mike Gleason

Re: Next steps in allocating funding for distressed water companies

Dear Colleagues:

As you know, funding for distressed water companies was included in the recent budget approved by the Legislature and Governor Napolitano.¹ This \$750,000 fund, first proposed by Rep. Alvarez and Sen. Arzberger and strongly supported by the Corporation Commission and the Governor, is available to interim operator-run private water companies that are experiencing severe distress. The fund is administered by the Arizona Water Infrastructure Authority upon a recommendation by the Corporation Commission.²

I believe there are at least three private water companies currently run by interim operators that may be immediately eligible for funding and would like the Commission to direct the interim managers these companies to make applications for funding to WIFA as soon as possible. I would also suggest that Staff stand prepared to assist these interim managers in making the applications should they require it. This list is by no means meant to be exhaustive; rather it represents companies with interim operators and severe problems that the Commission has recently addressed.

- The **McLain Water Companies**, operated by the Arizona Small Water Utilities Association (ASUA). While Algonquin currently has an application before the Commission to purchase the McLain systems, the Commission has not yet voted on the matter. The system has continued to experience outages, and customers there have expressed serious concerns about enduring another summer without adequate resources to quickly address outages. Extended outages in this system south of Sierra Vista are

¹ The following appropriation was added by the conference committee amendment to HB 2870 (state government; budget reconciliation): Sec. 26. Department of environmental quality; small rural water systems grants; appropriation. The sum of \$750,000 is appropriated from the state general fund in fiscal year 2006-2007 to the department of environmental quality for one-time grants to interim operators or managers of small rural water systems that have been approved by the Arizona corporation commission. The Arizona water infrastructure finance authority shall administer the small rural water system program.

² The fund is designated for Fiscal Year 2006-2007, which means that it technically should become available on July 1, 2006.

dangerous in the summertime. ACC Staff have labeled this the most dilapidated and distressed water system in Arizona.

- **Sabrosa Water Company**, operated by Global Water Resources. While Global has invested significantly in keeping this water company afloat, Sabrosa has continued to experience difficulties and is in need of additional wells and storage capacity. The Commission recently approved a water hauling tariff because of fears that significant water hauling into the area north of Phoenix will be necessary.
- **Diamond Valley Water Users Association**, operated by Don Bohler of Don's Water Company. This water company has been abandoned for more than three years and is in need of major repairs, including an entirely new network of pipes, mapping of the system, and help paying for the moving of a pipeline that runs beneath Highway 89 between Prescott and Prescott Valley. Immediate upgrades would make takeover of the abandoned company by a third party, and subsequent long-term repairs and restoration, more likely.

It appears as though the distressed water company fund should become available to interim operators as early as July 1. Given the dire circumstances of several of these companies, I believe it would be in the public interest for the Commission to make recommendations as quickly as possible and for the operators to make applications expeditiously, as well. Therefore, I will be placing this matter on the agenda for the next Staff meeting.

I look forward to our discussion of this matter.

Sincerely,



Kris Mayes
Commissioner

Cc: Brian McNeil
Ernest Johnson
Steve Olea
Heather Murphy
Lace Collins
Lynette Evans
Lori Faeth
Steve Owens
Jay Specter